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Another Shaky U.S. Ally

By DAVID ASMAN

PANAMA CITY—In all the country parallels being drawn with recent tumult in the Philippines, the government of Panama has hardly figured. Perhaps this oversight is a legacy of the late dictator Gen. Omar Torrijos, who bamboozled Western intellectuals into believing that Panamanians were as enraptured by his revolution and personality as were his gringo drinking partners. Or perhaps Panama's cordial relations with Fidel Castro, another legacy of Torrijos, somehow shields Panamanian military leaders from the scorn heaped upon, say, Paraguay's Gen. Alfredo Stroessner.

Nevertheless, the similarities to pre-revolutionary Manila are here. While a vigorous and vocal opposition to the current regime is tolerated, it is abruptly cut off whenever the regime senses a clear threat to its political or economic interests. Panama's legislative, executive and judicial bodies act, according to opposition claims, as a rubber stamp for the real power base—the Panamanian Defense Forces and their chief, Gen. Manuel Antonio Noriega. And the U.S. has key strategic interests in Panama—home not just of the canal, but also of headquarters for the U.S. Southern Command and a base for more than 9,000 U.S. troops.

Increasing Repression

As in the Philippines, Panama's opposition is neither cowed nor particularly underprivileged. At the airport, I was met by an opposition congressman who whisked me through customs and drove me in a Mercedes-Benz to meet his boss, Christian Democrat leader Ricardo Arias Calderon. From the beautiful garden of Mr. Arias Calderon's home, located just a few blocks from Gen. Noriega's primary residence, I was told of increasing repression.

"Of course, when you compare the level of government intimidation in Panama with other Central American countries," said Mr. Arias Calderon, "it's difficult for an outsider to get too upset. But since the election fraud of 1984, there has been a steady unwinding of the democratic process and an increase in the level of political violence. As the people did in the Philippines, we had very high expectations of democracy going into the elections, only to have them crushed by the government. This gained world-wide attention with the death of Dr. Spadafora and the subsequent ouster of President Barletta."

Nicolas Ardita Barletta, whose 1984 campaign was backed by Gen. Noriega, was forced out of office last September. His resignation came two weeks after Dr. Hugo Spadafora's beheaded body was found just over the Panamanian border in Costa Rica. Spadafora, a former minister in Torrijos's government, was a thorn in the side of Gen. Noriega. A physician-turned-adventurer who had fought at dif-

ferent times with African revolutionaries, the Sandinistas in Nicaragua, and finally the anti-Sandinista rebels, Spadafora had repeatedly accused Gen. Noriega of nefarious dealings, such as taking a cut from international drug dealers using Panama as a transit route.

While Mr. Barletta has yet to speak publicly about events leading up to his ouster, a key Barletta aide told me the president was "fired" by the military because he had assured the Spadafora family that he would empower an independent commission to investigate the murder. This point was driven home during the 14 hours of heated negotiations between Mr. Barletta and members of the Panamanian

forced on the current regime by circumstances of its own making.

Panama's economic structure is uniquely tied together with the political power of the regime and is a major reason the current regime can withstand opposition pressure better than Mr. Marcos could in the Philippines. Though not a well-educated man, Torrijos had a genius for balancing political interests while maintaining absolute control. Unlike Mr. Marcos, Torrijos gave no quarter to the established industrialists and large landowners. In fact, he was determined to undermine their power in society.

With the stability gained through use of the U.S. dollar and an extraordinary

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Defense Forces that led to his resignation. "The focus of discussion was the Spadafora commission," asserts the official. "If you go through with all this," the military said, "we are prepared to close the newspapers, arrest people and put you on trial." After Mr. Barletta's family was threatened, he agreed to leave office.

In an interview, Eric Arturo Delvalle, Mr. Barletta's replacement, had a different story.

"There are two things that are misunderstood about Panama," Mr. Delvalle said. "One, that there is a tie between Barletta's ousting and the Spadafora case. Second, that Panama is governed by the Defense Forces. We have extremely good relations with the Defense Forces, but in no way are they interfering with the management of the country. I have had no intervention—none—of the Defense Forces or from Gen. Noriega."

It's difficult to take this last comment very seriously. In a different part of the interview, the president acknowledged that "the Defense Forces have managed this country for 16 years." Jose Blandon, a director of Panama's electric monopoly, admits: "You cannot immediately get the army back into the barracks. We want democracy, but in our way—not yours."

To hear Mr. Delvalle tell it, Mr. Barletta was ousted because "he was on an economic line which his people did not accept. . . . He wanted to change the economic structure of the country. He thought we should be like a Singapore, and export everything. But since we use the U.S. dollar as our currency, we cannot compete against these other countries with local currencies because they can devalue their currency whenever they please to increase exports." Ironically, the thrust of Mr. Barletta's economic policies has been

amount of freedom allowed for capital (relative to the rest of Latin America), Torrijos policies let the banking and service sectors flourish. At the same time, industry and agriculture were squeezed by price controls and expropriations.

Torrijos was also able to assist his friends in Havana, who used the Panamanian capital markets for ready access to U.S. dollars, thus circumventing the U.S. embargo. Several Cuban companies have been established in Panama in order to sell domestic commodities and items they receive from the Eastern Bloc nations—including weapons. As quid pro quo for this arrangement, Panama has been spared a Havana-instigated guerrilla movement, another of the factors that distinguish it from the Philippines.

Though money is abundant and displays of wealth conspicuous in Panama City, capital investment is at a virtual standstill.

Says Bank Association of Panama President Paul Smith: "We have far more deposits than we can put out in loans. And most of those are consumer loans—for autos, second mortgages and the like. Businessmen are not investing in plant expansion or new ventures. . . . What overshadows all of this is the government debt and government intervention."

The government's traditional policy of high personal and corporate tax rates, together with a murderous combination of price supports and price controls, has significantly dampened capital development. Add to this an external public-sector debt of \$3.7 billion, and you have the makings for lender intervention—which is exactly what's occurring here, and why Mr. Barletta's economic agenda lives on.

In order to obtain much needed short-term and midterm loans from the World Bank, the government has been forced to accept an export-oriented structural ad-

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justment program. Panamanian unions staged strikes two weeks ago in protest.

Business appears supportive but uneasy. Okra producer Edmundo Ward, formerly a regional official of Xerox Corp., says: "While most of us are pleased with recent economic developments, everybody here is pretty nervous about the political situation. We're all waiting for the other military shoe to drop." Until recently, Gen. Noriega, who is the former chief of Panamanian intelligence (G-2), has been able to use a nationwide web of intelligence sources, political alliances and union contacts to head off political opposition discreetly. However, as direct attacks on Gen. Noriega and his Defense Forces have increased, the government has not been so subtle. In February, for example, newspaper columnist Guillermo Sanchez Borbon was arrested after he wrote articles linking members of the Defense Forces to the Spadafora killing.

U.S. interests are unavoidably tied in with Panama's internal power struggle. As in the Philippines, the U.S. must tread carefully in its relationship with the home country's military. Explains U.S. Southern Command chief Gen. John Galvin: "Under the rules of the canal treaty, it is my job to assist the Panamanian Defense Forces to become a good fighting force which can defend the canal. The question is, how do you strengthen the PDF while making sure it does not become a block to democracy? Since I am resolved not to meddle in internal affairs here, that's a question for the State Department."

'Panamanian Balance'

The State Department may have to grapple with this question soon. Already the ruling party in Panama has protested statements made last month by incoming U.S. Ambassador Arthur Davis that he would "persist" until the Spadafora murder was resolved. On the other hand, the opposition has complained that Gen. Galvin has been too accommodating to Gen. Noriega and the ruling elite.

The current "Panamanian balance" between U.S. concerns and accommodations made with Cuba and local communists would probably blow apart if Gen. Noriega were kicked out of power by some coalition of the opposition and reformists in the Defense Forces. And while, unlike the Philippines, there is no communist insurgency in Panama, the communists Torrijos put in government to placate the left could probably be induced by Mr. Castro to take to the hills.

However, giving full support to a regime that shares so many of the flaws and vulnerabilities of Mr. Marcos's and also maintains close ties with Cuba may be difficult for the U.S. to do much longer.

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